HOUSING MARKET INFORMATION

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Canada

CANADA MORTGAGE AND HOUSING CORPORATION

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Canadian Market Overview

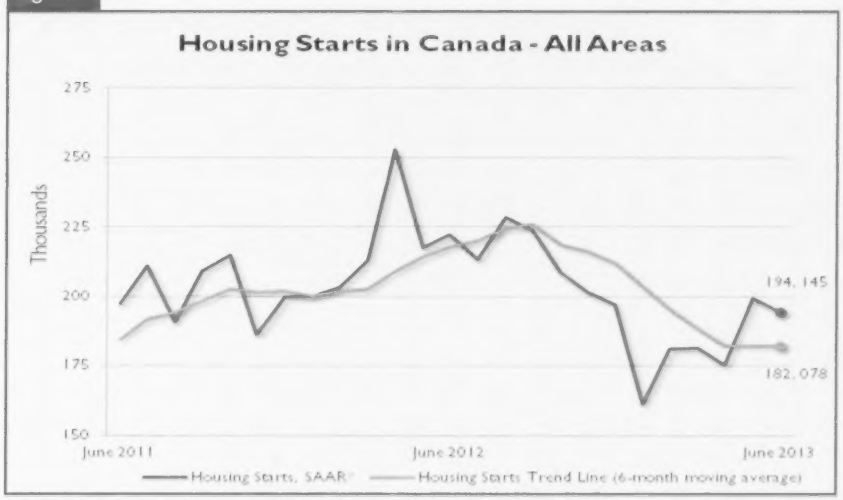
New home market

Housing starts in June

The number of housing starts was trending at 182,078 units in June, compared to 182,558 units in May[1]. The trend is a six-month moving average of the monthly seasonally adjusted annual rates (SAAR).

The trend was essentially stable in June, for a third consecutive month, reflecting general stability in regional trends over the same period. The stand-alone monthly SAAR was 194,145 units in June, down from 199,383 units in May[2].

Figure 1



Source: CMHC; *seasonally adjusted at annual rates.

[1]CMHC uses the trend measure as a complement to the monthly SAAR of housing starts to account for considerable swings in monthly estimates and obtain a more complete picture of the state of the housing market. In some situations, analyzing only SAAR data can be misleading, as they are largely driven by the multiples segment, which can be quite volatile.

[2]All starts figures in this report are seasonally adjusted annual rates (SAAR) — that is, monthly figures are adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels. By removing seasonal ups and downs, seasonal adjustment makes it possible to highlight the fundamental trends of a series. Reporting monthly figures at annual rates indicates the annual level of starts that would be obtained if the monthly pace was maintained for 12 months. This facilitates comparison of the current pace of activity to annual forecasts as well as to historical annual levels.

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Urban starts decrease in June

In Canada's urban centres[3], the seasonally adjusted annual rate (SAAR) of housing starts was 177,074 units in June, a decline of 2.7 per cent from May.

The seasonally adjusted annual rate of single-detached starts in urban areas declined by 4.1 per cent to 62,750 units in June, while urban multi-family starts fell by 2.0 per cent to 114,324 units in June.

In rural areas, the estimated seasonally adjusted annual rate of housing starts declined by 1.5 per cent to 17,071 units in June from 17,324 units in May.

Inventories decline in June

Inventories of new and unabsorbed housing units[4] stood at 17,422 units in June, a decline from 18,153 units in May.

The inventory of new and unabsorbed single- and semi-detached homes decreased for a third consecutive month in June, falling to 7,029 units from 7,243 units in May. The inventory of new and unabsorbed row homes and apartments also declined in June, falling to 10,393 units from 10,910 units in May. While the decline in June follows an increase in May, the inventory of row homes and apartments has registered declines in four of the last five months. As a result, the inventory of new and unabsorbed row homes and apartments remains below the level recorded at the beginning of the year (11,235 units in January 2013).

The ratio of the inventory of new and unabsorbed units to population, a simple gauge of potential overbuilding, decreased in the second quarter of 2013 to 5.5 units from 5.6 in the first quarter of 2013, remaining slightly above the 1982Q1 to 2013Q2 historical average of 5.4 units.

Construction intentions increase in May

For a third consecutive month, the value of residential building permits for all dwellings increased in May, rising by 4.2 per cent from April[5]. This follows a 21.6-per-cent increase the month before, which was the largest monthly increase recorded since March 2011.

In May, the values of single-family and multi-family permits both increased, by 4.4 per cent and 4.0 per cent, respectively. The gain in the value of multi-family permits was the third consecutive increase and followed an advance of 51.2 per cent in the month of April. In comparison, developments with respect to the value of permits for single-family dwellings have been relatively stable, with modest gains in four of the five months from January to May (February was the exception).

So far in 2013, the total value of residential building permits has trended higher, registering gains in every month of the year, except February, when a monthly decline was recorded. This growth followed a period of consecutive monthly decreases from July 2012 to December 2012.

In May, Canadian municipalities approved permits for the construction of 240,576 new dwellings (annual rate), up 3.1 per cent from April. The number of permits issued for multi-family dwellings rose 3.5 per cent to 163,788 units, while the number of permits issued for single-family dwellings rose 2.3 per cent to 76,788 units.

New Housing Price Index growth steady in May

The NHPI rose by 1.8 per cent in May compared to the same month in 2012, following similar increases of 2.0 per cent in the two previous months. NHPI year-over-year growth has trended slightly lower so far in

[3] Urban centres are defined as centres with a population of at least 10,000. CMHC surveys urban centres with 10,000 to 49,999 inhabitants at the end of every quarter. Months that are not at the end of a quarter are estimates.

[4] The level of inventories discussed here is for urban centres with a population of 50,000 and over. The inventory of housing units is defined as a snapshot of the level of newly completed and unabsorbed units at a specific time. A unit is defined as "absorbed" when an agreement is made to buy the dwelling. The definition of this concept was recently updated. Prior to 2013, a unit was defined as "absorbed" when an agreement was made to buy or rent the dwelling. However, data on absorption for multiple dwelling units intended for rent was not always available. Supply conditions in the owner and rental markets are now collected under separate, dedicated surveys (see CMHC's *Rental Market Survey* for rented accommodation and CMHC's *Starts and Completions Survey* for owned accommodation). In addition, the series' name was changed from "newly completed and unoccupied" to "newly completed and unabsorbed" as a result of the move towards counts based on the existence of a binding contract.

[5] Statistics Canada conducts a building permits survey among 2,400 municipalities. These permits measure construction intentions and can serve as indicators of future starts.

2013 relative to 2012, having moderated from an average year-over-year monthly gain of 2.3 per cent in 2012 to an average of 2.0 per cent over the first five months of 2013.

Existing home market

So far in 2013, activity on the existing home market, measured by Multiple Listing Service® (MLS®)[6] sales, new listings and prices, has trended higher. This follows a period of average monthly declines that held sway over the last half of 2012, when the average monthly growth rates of seasonally adjusted MLS® sales, new listings and prices were all negative.

MLS® sales continue a rising trend in June

In June, the seasonally adjusted annual rate of MLS® sales increased by 3.3 per cent to 470,484 units from 455,340 units in May.

Specifically, seasonally adjusted MLS® sales registered an average monthly increase of 1.7 per cent over the first half of 2013. This contrasts with an average monthly decline of 1.2 per cent over the last half of 2012.

MLS® new listings decline slightly in June

The seasonally adjusted annual rate of MLS® new listings registered a slight decline of 0.5 per cent in June to 874,896 units from 879,456 units in May.

Figure 2

Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS®
Last data point: 2013M06

MLS® new listings have trended higher so far in 2013, rising by an average monthly rate of 0.6 per cent. This follows an average monthly decline of 0.9 per cent in the latter half of 2012.

Balanced market conditions continue in June

An indicator of price pressure in the existing home market is the sales-to-new listings ratio[7]. New listings are a gauge of the supply of existing homes, whereas MLS® sales are a proxy for demand. MLS® sales and new listings have both trended higher in 2013, with sales slightly outpacing new listings so far this year.

This trend continued in June, as the gain in MLS® sales combined with the slight decline in MLS® new listings led to an increase in the sales-to-new listings ratio to 53.8 per cent from 51.8 per cent in May. As a result, the sales-to-new listings ratio remained in balanced market conditions in June (see figure 2).

Market conditions have been balanced since November 2011, as trends in MLS® sales and new listings have broadly mirrored each other over that period.

Resale market prices increase in June

The national seasonally adjusted average MLS® price registered a gain of 0.6 per cent in June to $376,701 from $374,347 in May.

As well, the unadjusted average MLS® price increased by 4.8 per

[6]Multiple Listing Service (MLS®) is a registered trademark owned by the Canadian Real Estate Association.

[7]Taking the Canadian MLS® market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

cent to $386,585 from $368,926 a year before.

This positive trend has also been reflected by the MLS® Home Price Index[8], which registered a fifth consecutive month-over-month increase in June. The MLS® Home Price Index, which uses statistical techniques to control for changes over time in the types and quality of homes sold, rose by 2.3 per cent from June 2012 to June 2013 in the markets covered, a rate similar to the rate observed in the previous three months. The index rose by 0.1 per cent in June 2013 from the previous month, following a gain of 0.8 per cent in May.

Teranet-National Bank Composite House Price Index increases in June

The Teranet–National Bank Composite House Price Index™[9], which also uses statistical techniques to control for changes in the types and quality of homes sold over time, posted a 1.8-per-cent increase in June from the same month in 2012, similar to the rate observed in the previous two months.

The index posted a gain of 1.0 per cent in June from May, the fourth consecutive increase following a period of consistent declines registered from September 2012 to February 2013. These developments are consistent with the MLS® Home Price Index.

Economic conditions

According to Statistics Canada, employment was virtually unchanged in June when compared to May. The lack of growth in June followed two consecutive gains in May and April of 0.5 per cent and 0.1 per cent, respectively. Over the first half of 2013, employment growth averaged 14,000 jobs per month, a level lower than the average of 27,000 over the last half of 2012.

When compared with the corresponding month in 2012, unadjusted employment was up by 1.3 per cent in June (+242,300 jobs). Full-time employment recorded an increase of 1.3 per cent when compared to the same month a year before (+188,400 jobs), while part-time employment saw a similar year-over-year increase of 1.6 per cent (+53,900 jobs)[10].

Statistics Canada's Consumer Price Index rose by 1.2 per cent in the 12 months leading up to June, following an increase of 0.7 per cent in May. Core inflation, which excludes the eight most volatile items and the effect of changes in indirect taxes, rose by 1.3 per cent in the 12 months to June, following a 1.1-per-cent increase in May. This measure is used as a predictor of future overall inflation.

On July 17, the Bank of Canada announced that it would maintain the target for the overnight rate unchanged at 1.0 per cent. The Bank stated that *"As long as there is significant slack in the Canadian economy, the inflation outlook remains muted, and imbalances in the household sector continue to evolve constructively, the considerable monetary policy stimulus currently in place will remain appropriate. Over time, as the normalization of these conditions unfolds, a gradual normalization of policy interest rates can also be expected, consistent with achieving the 2 per cent inflation target."*

According to the Bank of Canada, the average five-year posted conventional mortgage interest rate among chartered banks held steady at 5.14 per cent in June for a fourth consecutive month. This rate has been relatively stable since June 2012.

The next interest rate announcement of the Governing Council of the Bank of Canada is scheduled to take place on September 4, 2013. ■

[8] The MLS® Home Price Index is based on single-family, townhouse/row, and apartment unit sales activity in Greater Vancouver, the Fraser Valley, Calgary, Regina, Greater Toronto and Greater Montréal.

[9] The Teranet-National Bank House Price Index™ is based on housing sales activity in 11 markets, including Halifax, Québec, Montréal, Ottawa-Gatineau, Toronto, Hamilton, Winnipeg, Calgary, Edmonton, Vancouver and Victoria.

[10] The sum of part-time and full-time employment may not equal total employment due to rounding.

This Month's Housing Data (SAAR)

Housing starts, units, 000s

	2012	Q4:12	Q1:13	Q2:13	M04:13	M05:13	M06:13
Canada. Total. All areas	**214.8**	**203.5**	**175.5**	**185.5**	**175.3**	**199.4**	**194.1**
Per cent change from previous period	10.8	-8.2	-13.8	5.7	-3.3	13.7	-2.6
Canada. Total. Rural areas	**21.3**	**21.6**	**17.0**	**17.3**	**16.1**	**17.3**	**17.1**
Per cent change from previous period	8.5	-2.9	-21.4	2.1	-30.5	7.7	-1.5
Canada. Total. Urban areas	**193.6**	**181.9**	**158.5**	**168.2**	**159.3**	**182.1**	**177.1**
Per cent change from previous period	11.0	-8.8	-12.9	6.1	0.7	14.3	-2.7
Canada. Single. Urban areas	**67.2**	**65.1**	**63.2**	**62.4**	**64.1**	**65.4**	**62.8**
Per cent change from previous period	0.1	-5.0	-2.9	-1.3	5.1	2.0	-4.1
Canada. Multiple. Urban areas	**126.4**	**116.8**	**95.3**	**105.8**	**95.1**	**116.7**	**114.3**
Per cent change from previous period	17.8	-10.7	-18.5	11.1	-2.1	22.6	-2.0
Newfoundland. Total. All areas	**3.9**	**3.6**	**2.7**	**3.1**	**2.8**	**3.1**	**3.2**
Per cent change from previous period	11.4	-15.8	-24.7	12.6	0.6	12.3	4.1
Prince Edward Island. Total. All areas	**0.9**	**1.0**	**0.9**	**0.8**	**0.4**	**1.0**	**0.9**
Per cent change from previous period	0.1	-20.2	-4.0	-17.7	41.9	123.3	-9.6
Nova Scotia. Total. All areas	**4.5**	**5.2**	**4.6**	**3.5**	**2.2**	**5.2**	**2.8**
Per cent change from previous period	-2.6	-4.5	-11.0	-25.0	-55.1	131.8	-46.8
New Brunswick. Total. All areas	**3.3**	**2.9**	**3.4**	**2.9**	**1.0**	**3.7**	**4.6**
Per cent change from previous period	-4.4	-13.1	16.3	-15.3	-30.7	292.6	21.7
Quebec. Total. All areas	**47.4**	**45.1**	**35.9**	**38.1**	**41.3**	**38.7**	**35.8**
Per cent change from previous period	-2.1	-7.1	-20.3	6.1	10.3	-6.4	-7.4
Ontario. Total. All areas	**76.7**	**69.3**	**56.7**	**57.9**	**48.4**	**70.3**	**62.3**
Per cent change from previous period	13.2	-11.9	-18.2	2.1	-12.5	45.2	-11.4
Manitoba. Total. All areas	**7.2**	**6.4**	**6.8**	**7.4**	**9.2**	**5.3**	**7.4**
Per cent change from previous period	19.1	-22.4	6.1	8.4	-15.2	-41.8	39.3
Saskatchewan. Total. All areas	**10.0**	**11.1**	**6.6**	**7.5**	**6.6**	**7.6**	**8.5**
Per cent change from previous period	41.8	3.2	-40.7	14.3	-12.2	15.0	12.5
Alberta. Total. All areas	**33.4**	**34.5**	**33.7**	**39.2**	**39.8**	**42.5**	**38.1**
Per cent change from previous period	29.9	6.5	-2.2	16.1	13.6	6.7	-10.2
British Columbia. Total. All areas	**27.5**	**24.5**	**24.0**	**25.3**	**23.7**	**22.0**	**30.5**
Per cent change from previous period	4.0	-14.8	-1.8	5.1	-8.2	-7.0	38.5

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

Housing starts, units, 000s

	2012	Q4:12	Q1:13	Q2:13	M04:13	M05:13	M06:13
Canada. Total. Urban areas	193.6	181.9	158.5	168.2	159.3	182.1	177.1
Newfoundland. Total. Urban areas	2.5	2.3	1.7	2.0	2.1	1.9	2.0
Prince Edward Island. Total. Urban areas	0.7	0.6	0.8	0.5	0.2	0.7	0.6
Nova Scotia. Total. Urban areas	3.9	4.7	4.2	3.0	1.9	4.6	2.3
New Brunswick. Total. Urban areas	2.5	2.1	2.8	2.2	0.6	2.8	3.3
Quebec. Total. Urban areas	40.5	38.1	30.0	31.3	34.5	32.4	30.0
Ontario. Total. Urban areas	74.4	66.0	55.0	56.0	46.5	68.4	60.4
Manitoba. Total. Urban areas	4.9	4.1	5.1	5.9	7.8	3.7	6.3
Saskatchewan. Total. Urban areas	7.9	9.6	5.8	6.4	5.3	6.5	7.0
Alberta. Total. Urban areas	30.6	31.8	30.5	36.8	37.5	40.0	35.8
British Columbia. Total. Urban areas	25.5	22.8	22.7	24.1	22.8	21.0	29.3

SOURCE: CMHC. Starts & Completions Survey. All quarterly and monthly data are seasonally adjusted and annualized.This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Major Housing Indicators

New Housing

	2012	Q4:12	Q1:13	Q2:13	M04:13	M05:13	M06:13
New & unabsorbed singles & semis, units 000s	6.7	6.7	7.5	7.0	7.4	7.2	7.0
Per cent change from same period previous year	7.5	7.5	24.7	24.7	27.4	26.8	24.7
New & unabsorbed row & apartments, units 000s	10.7	10.7	10.8	10.4	10.6	10.9	10.4
Per cent change from same period previous year	-17.0	-17.0	10.5	9.9	10.0	16.0	9.9
New House Price Index, 2007=100	108.0	108.8	109.3	n.a.	109.6	109.7	n.a.
Per cent change from same period previous year	2.3	2.3	2.1	n.a.	2.0	1.8	n.a.

Existing Housing

MLS® resales*, units 000s	454.5	428.7	427.4	454.5	437.7	455.3	470.5
Per cent change from same period previous year	-1.2	-10.4	-10.3	-3.3	-9.3	-2.9	2.6
MLS® average resale price, 000s**	363.4	361.5	368.7	375.1	374.3	374.3	376.7
Per cent change from same period previous year	0.3	0.1	0.6	2.8	1.0	3.3	4.2

Mortgage Market

Posted 1-Year Mortgage Rate, % (period average)	3.17	3.07	3.00	3.05	3.00	3.00	3.14
Posted 5-Year Mortgage Rate, % (period average)	5.27	5.24	5.21	5.14	5.14	5.14	5.14

SOURCE: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

n.a. Figures not available.

* Annual data is actual. Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Quarterly and monthly data is seasonally adjusted.

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